

AR37



PRINCIPAL GROUP LTD.
1968 ANNUAL REPORT

PRESIDENT'S LETTER

1968 was another record year for Principal Group. Operating net income rose by 76% to \$633,365 and consolidated net profit rose 62% to \$440,745. Our gross assets under administration passed \$92,000,000 and will exceed \$100,000,000 by mid-1969. In addition, installment savings and mutual fund programs in force and up to date increased to \$238,000,000. However, our greatest strides have been made in diversifying our activities and product lines.

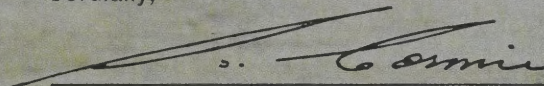
Our Savings and Trust assets increased 54% to \$12,726,043 and our retained earnings in this area rose 128%, bringing the total capital employed to \$690,802. Principal Savings & Trust Company operates in six provinces in Canada. Its program in 1969 calls for an increase in capital and surplus to an amount in excess of \$1,000,000, and the extension of the services to one additional province. The policy of this company is to expand its operations from current earnings only, without impairment of the retained surplus. However, the company provides extensive investment management services, and since we anticipate a rapid increase in profits from this division over the next five years, this policy is not expected to slow down the expansion.

The corporate restructuring under four operational groups will provide for more efficient expansion, and allow us at some future date to offer portions of the main subsidiaries to the investing public. Our U.S. affiliates, which are an additional expansion of the Group, are presently contemplating the establishment of a portfolio management and mutual fund group in San Francisco. Principal Investors Corporation (U.S.) is now registered as a broker-dealer in California, federally, and in a number of the surrounding States. This should provide additional opportunities for investment in the rapidly developing industries in that area. Currently, we are interviewing a number of experienced young brokers to staff that office, which will be separate from the Seattle head office.

The basic planning in the life insurance area has been completed, and Principal Life Insurance Company of Canada (La Principale Du Canada, Compagnie d'Assurance - Vie), a federal Canadian company, will soon become a fully operating subsidiary. This company will provide for expansion into international areas with a program of equity-based insured accumulation plans.

In closing, we thank our Sales Agents, Executives, and Employees for their contribution toward a successful year, and for their added contribution toward the development of our new "Five-Year Strategic Development Plan". I would particularly like to thank those new university graduates who have come up from the United States and over from Europe to join our rapidly expanding administrative head office in Edmonton. Our Group is currently Number Two in its field in Canada, with over 100,000 customers, and accordingly offers exceptional opportunities for dynamic and creative organizational work.

Cordially,



Donald M. Cormie, Q.C.,
President and Chairman of the Board.







THE DYNAMIC CENTER OF INFLUENCE

The Principal Group is located in every province in Canada, and other centers on the North American continent, yet the Administrative Head Office is situated on one of the "Crossroads" of the Western world.

Edmonton offers every conceivable advantage. It is located a few hours by jet "over the pole" to all major centers in Europe, a short jump to Japan or Hong Kong and schedules a dozen jet flights a day to the major centers in Eastern and Western Canada, and the United States.

A modern fast growing cosmopolitan city — Edmonton was selected by the West German Academy for city and regional planning over all other cities in the world as the subject of case study for post graduate work in city planning. Edmonton was chosen because it was the most ideal in the world,

illustrating excellent planning and development.

There are 215,000 plane movements annually from Edmonton's three airports, including an international airport capable of handling the largest jets.

Edmonton is the capital of the Province of Alberta, the only debt free Province or State on the continent, whose oil revenues reduce the tax requirements of the Province. Alberta has no sales tax and only 25% of the average estate tax level, for the whole of Canada and the United States. A long history of stable, free enterprise governments, this is the ideal location for managing vast sums of international funds.

The Edmonton — Jasper — Banff triangle — a beautiful, mountainous, recreational center — the Switzerland of North America; is the home of the Principal Group.



PRINCIPAL GROUP LTD. / DIRECTORS

Donald Mercer Cormie, Q.C. – President

Mr. Cormie is the Senior partner in the Law Firm of Cormie, Kennedy, Fitch and Patrick – Edmonton, Alberta. After graduating from the Harvard Law School in 1946, Mr. Cormie became President and a Director of Principal Group Ltd. and a number of its member companies. In addition, Mr. Cormie is currently the Vice-President for Alberta of the Canadian Bar Association, and has been a member of the National Council for eight years. He is North-Pacific Area Vice-President of the Young President's Organization Inc. (1968-69), and holds the position of Director of the Banff School of Advanced Management, and the Citadel Theater in Edmonton. Mr. Cormie is married and has eight children.

Dennis Robert Stewart – Vice-President – Real Estate and Development

A native Albertan, Mr. Stewart is the Vice-President of the Mortgage, Real Estate, and Development divisions of the Principal Group. In addition he is the Vice-President and Director of Principal Group Ltd. and seven of its member companies. Mr. Stewart was one of the original founders of what is now the Principal Group, and has been very active in the Real Estate and Development areas since inception. At present, Mr. Stewart is the President of the Canadian Association of Real Estate Boards and is past President of the Alberta Real Estate Association and the Edmonton Real Estate Board. Mr. Stewart is married and has five children.

Gerald Edward Kaumeyer – General Manager

A graduate in Business Administration from the University of California, Mr. Kaumeyer is a Director and the General Manager of Principal Group and many of its member companies. In addition, he is President and a Director of the New Jersey based Principal Investors Corporation. A father of five, he devotes considerable time to public service activities, and is currently a Director of the Alberta Heart Foundation.

Kenneth Nelson Marlin – Vice-President – Sales

Mr. Marlin joined the Principal Group in 1954 as a representative for First Investors Corporation, and over the years has moved up in the Management arm of the Sales Division to his present position as Director and Vice-President – Sales for Principal Group Ltd. and its member companies.

A native of Saskatchewan, Mr. Marlin administers all functions of the sales force in Canada, as well as sales supervision of the Broker distributors for the Mutual Funds. He is Chairman of the Board for the Edmonton International Speedway Ltd. – Edmonton. Mr. Marlin is married and has four children.

Blaine O. Archibald – Secretary and General Counsel

A native Albertan, Mr. Archibald joined the Principal Group in 1960 and is presently General Counsel, Secretary, and a Director of Principal Group Ltd. and of a number of the member companies which make up the Principal Group. A member of the Law Society of Alberta, Mr. Archibald also serves as a member of Council of the Canadian Bar Association. He is Chairman of the Alberta Commercial Law Subsection 1957-58 and the Wills and Trusts Subsection 1967-69. Mr. Archibald is married and has five children.

DISTRIBUTION AND MARKETING

People . . . our most important product, and providing people with a method of saving is the aim of the financial programming group.

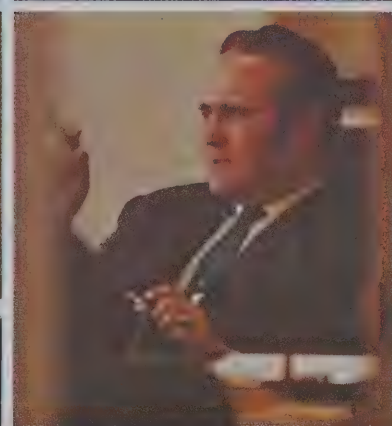
The practical approach to saving is as simple as doubling a dime 24 times and realizing over \$1,000,000, or investing an odd figure like \$1,954 at 12% compounded, leaving it for 54 years and realizing \$1,000,000.

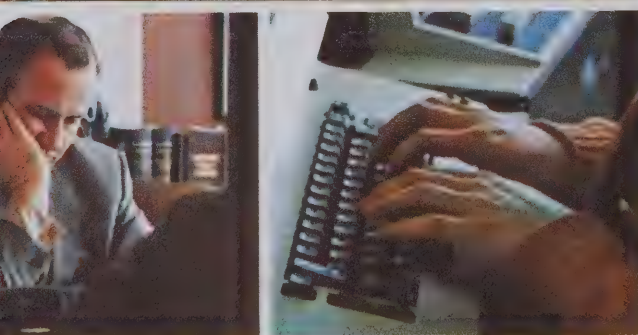
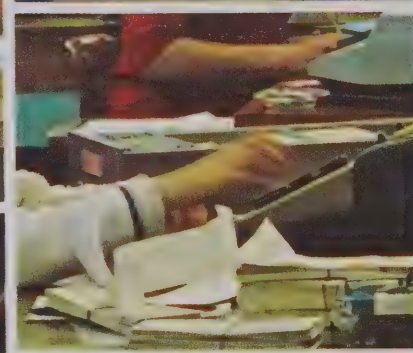
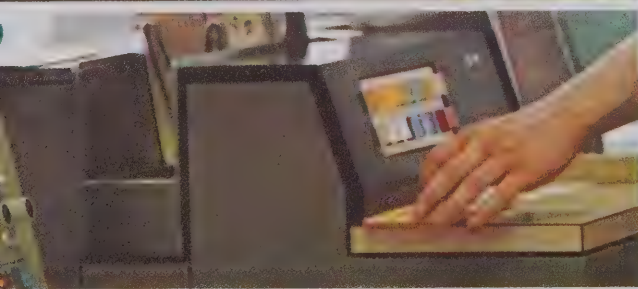
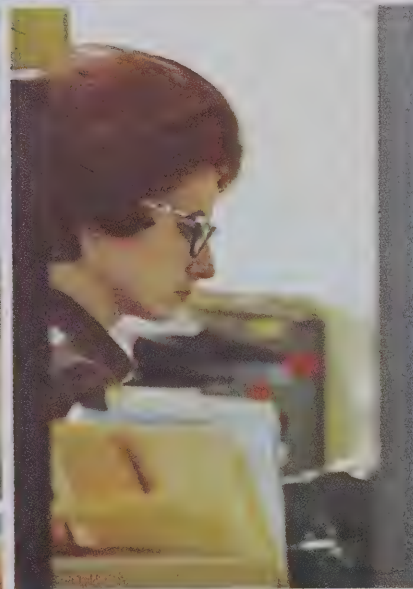
Whether saving, investing or insuring, the financial programming group provides customers with the perfect combination or balanced program, whether fixed dollars set aside in a savings plan or equity dollars invested in managed funds. Principal Group's management performance was rated as the top in Canada in various categories at the end of 1968. Soon to be released is a new Venture fund, which will provide with reasonable risks, even greater opportunity for returns to investors.

Over 200 representatives in Canada offer a complete financial service, including annuities, accumulation certificates, guaranteed investment certificates, registered retirement plans, group pensions, trust services, mutual funds and life insurance. Through such service, Principal Group has become the leader in the Multiple Line Concept.

The representatives are highly trained in financial programming, and total customer purchases in excess of one million dollars per man per year are common. In addition to an excellent income, the sales force benefits from an internal incentive program second to none in Canada.

Under this program, representatives have travelled by 707 Chartered jets, "all expenses paid", to the four corners of the globe. 800 new representatives are scheduled to join the Group during the next six years — carrying our service to an additional 100,000 new customers.





ADMINISTRATION AND SYSTEMS

The corporate reorganization in early 1967, made possible the creation of the Administration and Systems Group, whose function it is to coordinate all administrative activities of all companies, and to offer consulting services to our customers. While administrative headquarters is situated in western Canada, activities of the Group are carried out across Canada and in the United States. A major effort is made to keep abreast of new administrative techniques developed anywhere in the world.

For many years the group's I.B.M. 360 computer facilities have been utilized to ensure the utmost in efficient handling of data and information. Computer facilities have constantly been upgraded to take advantage of new techniques and services. During 1968 more sophisticated computer applications were under development including the creation of a "profit model" which will permit analysis of income statements and balance sheets under varying projected "what if" situations; computerized cash flow planning, allocation of assets, including mix of loans by type and time sectors. In short the objective is to provide a comprehensive economic management tool.

1969 will see the completion of a Sales Management Information Systems designed to provide field Sales Management with complete, concise facts; sorted, related and organized to minimize their "office time". This system will materially assist the distribution group in realizing their objectives for sales force expansion and growth.

There is a growing market outside the Group for many of the advanced systems developed for internal use. The merchandising of these systems with the consulting services that go along with them, will become a major activity in the coming years.

DISTRIBUTION AND MARKETING

The operating divisions within the distribution group.
Shown are the products or services of these divisions.

Savings
Certificates

G.I.C.'s

Trust
Accounts

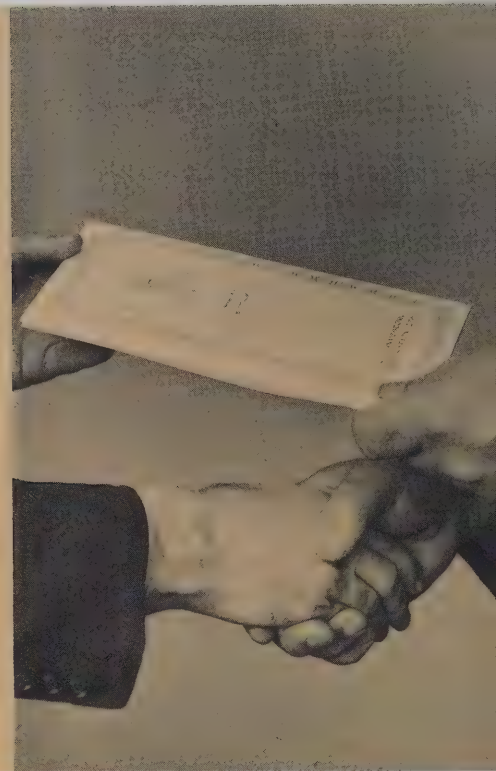
RRSP and
PENSIONS

Mutual
Funds

Growth
Funds

Venture
Funds

Life Insurance
and Annuities



ADMINISTRATION AND SYSTEMS

All functions of the administration group are
undertaken by the divisions as shown.

Corporate
Accounting

Customer
Service

Marketing
Research

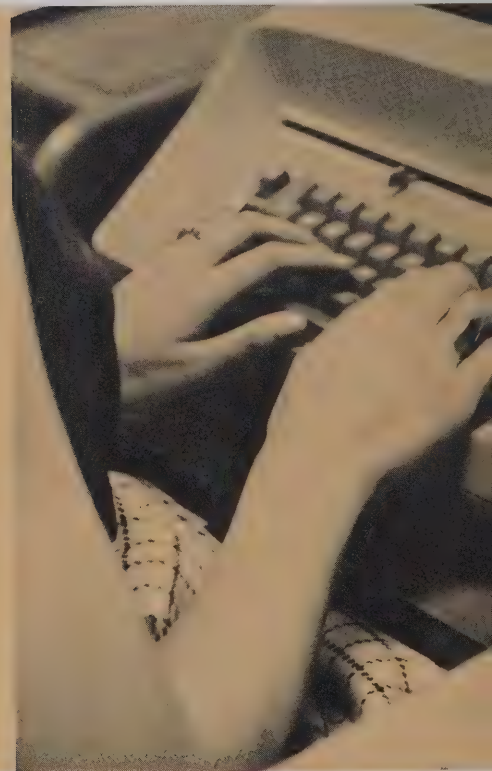
Management
Consulting

Data
Processing

Research
Analysis

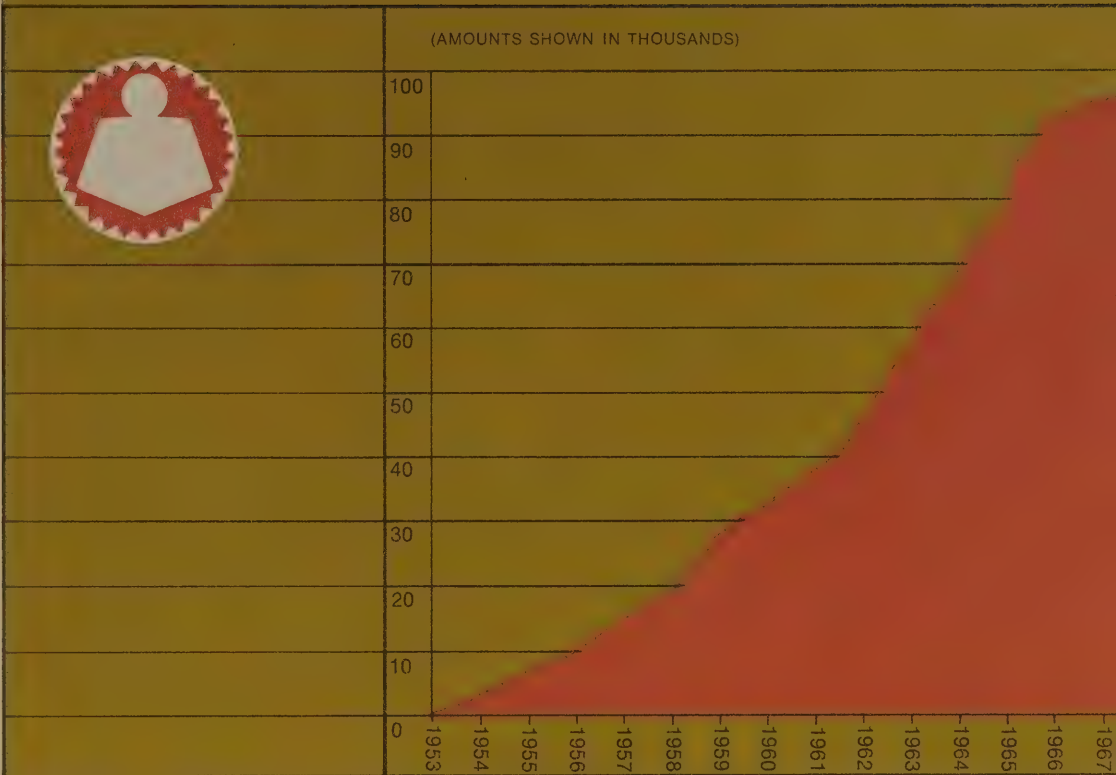
Legal
Department

Computer
Programming



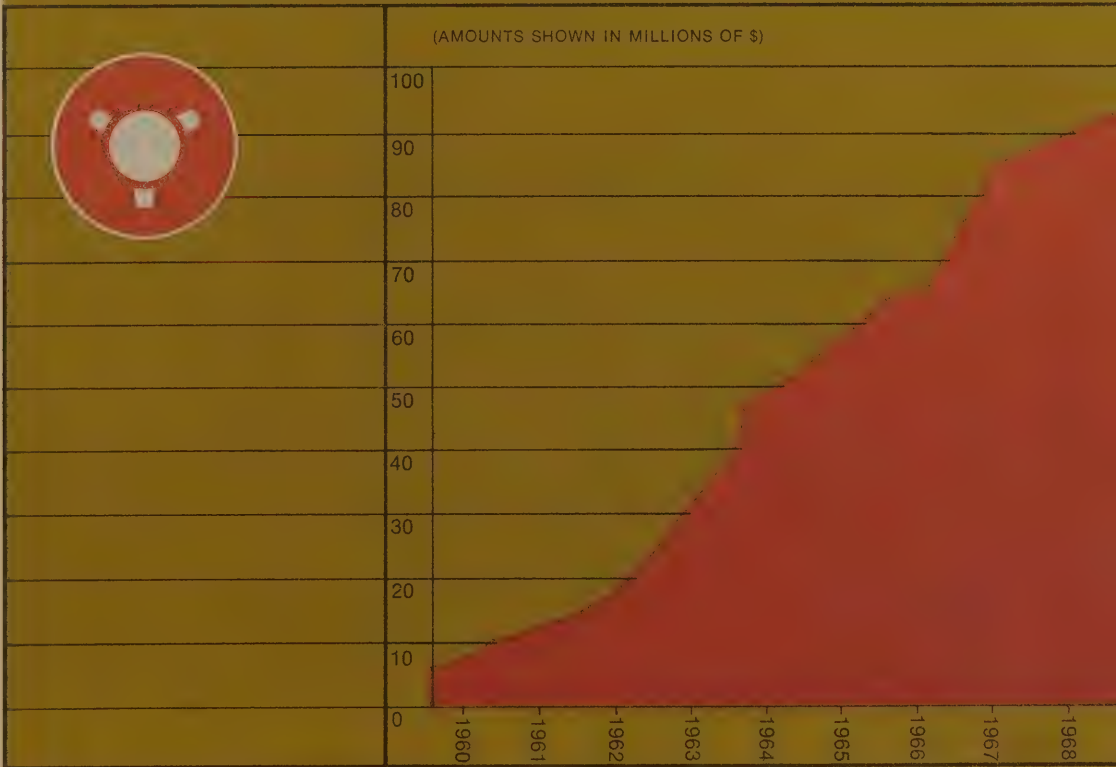
**CERTIFICATE,
SHAREHOLDERS AND
UNIT HOLDERS**

An illustration showing the total number of customers served by Principal Group Ltd. Included are the customers of First Investors Corporation Associated Investors Collective Mutual Fund Principal Savings Trust Principal Growth Fund and the Mortgage Division.



PRINCIPAL GROUP LTD.

Assets under administration for Principal Group including Principal Savings and Trust Company Principal Investors Corporation and Collective Securities Ltd. Total to end of February 1969 \$95,800,000.00.



PRINCIPAL GROUP LTD.

A Canadian company which is the parent of most of the other companies in the group. It provides offices, administrative services and computer services for the other member companies.

PRINCIPAL

Issuer of
Washington
Head Office

FIRST INVESTORS CORPORATION LTD.

Distributor of savings certificates and mutual funds in seven provinces in Canada. Founded in 1954. Investments are of the type permitted under the Canadian and British Insurance Companies Act (Canada).

MERCEDES & WILSON

A general insurance
casualty insurance

ASSOCIATED INVESTORS OF CANADA LTD.

Distributor of savings certificates and mutual funds in the two western Canadian Provinces. The oldest company in the group. Founded in 1948. Investments are of the type permitted under Canadian and British Insurance Companies Act (Canada).

PRINCIPAL INVESTMENT

Real Estate and
age, mortgage in

PRINCIPAL INVESTORS CORPORATION

A broker dealer registered federally and in the states of California, Oregon, Washington, Idaho and Colorado. Head Office in Seattle, Washington. Distributor of face amount certificates — mutual funds and life insurance.

PRINCIPAL GROWTH

Managed by Principal
Unit value rose 123%

CERTIFICATE SERIES, INC.

amount certificates in the states of Oregon and Colorado, U.S.A. Seattle, Washington.

INSURANCE AGENCY LTD.

agency handling life, fire and accident in 1957.

TRUST CORPORATION LTD.

development financing. Mortgage brokerage and portfolio management.

and Trust Company.
first 24 months.

PRINCIPAL VENTURE FUND LTD.

A speculative fund federally incorporated and distributed through the representatives as well as brokers. Invests in special situations for high performance.

PRINCIPAL SAVINGS AND TRUST COMPANY

A trust company operating in six provinces of Canada, a member of the Canadian Deposit Insurance Corporation, it offers a full range of trust services including investment funds. Founded in 1965. The company is the investment manager for Collective Mutual Fund Ltd., Principal Growth Fund, and Principal Venture Fund Ltd.

COLLECTIVE MUTUAL FUND LTD.

A balanced mutual fund distributed by First Investors Corporation Ltd., Associated Investors of Canada Ltd. and through brokers. Founded in 1963, it has had a growth of 83% in net asset value since inception.

PRINCIPAL LIFE INSURANCE COMPANY OF CANADA — LA PRINCIPALE DU CANADA, COMPAGNIE D'ASSURANCE VIE

A federally chartered company which will shortly operate in several provinces in Canada. It will offer low cost life insurance designed to supplement other financial services, and will later expand into the international field.

PRINCIPAL GROUP LTD.

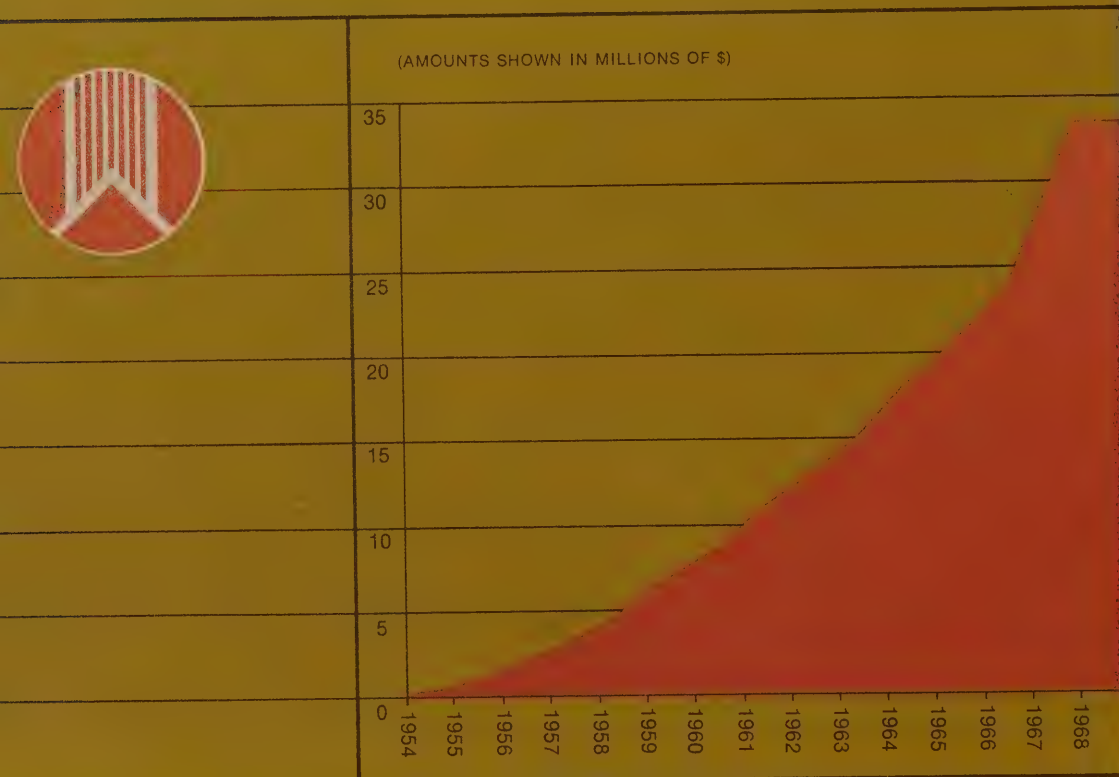




PRINCIPAL GROWTH FUND

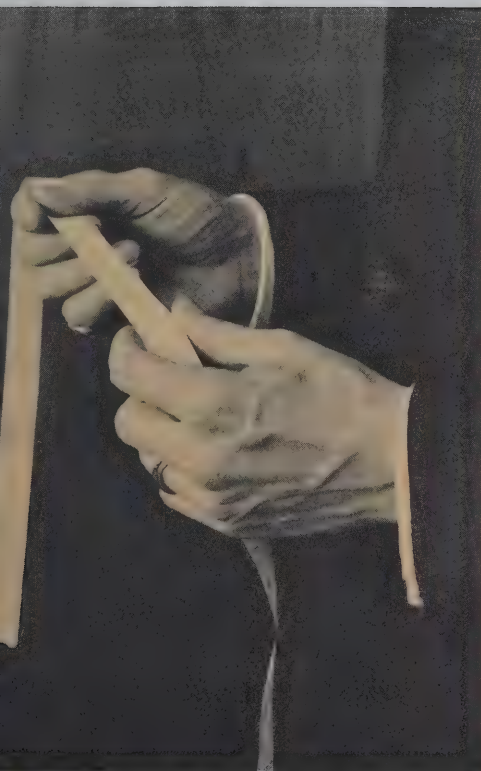
UNIT INCREASE SINCE 1967

Increased value per unit
From \$4.85 to \$6.44...32.8%
Outperformed the Toronto
Stock Exchange Industrial
Index by100.0%
Increased the number of
units outstanding from
197,834 to 479,059,
a gain of114.6%
Increased total net assets
from \$959,950 to
\$3,083,146, a gain of 221.3%



MORTGAGE PORTFOLIO

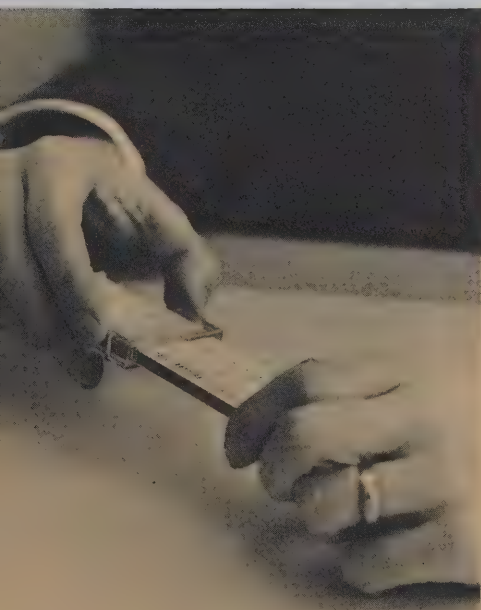
The graph illustrates the
total mortgage portfolio
including interim financing
for the period 1955 to 1968.
The increase in dollars in
force for this period is 944%
At the present time this
portfolio is made up of 60%
residential and 40%
commercial financing.



INVESTMENT AND ANALYSIS

Internal services of the investment group, are shown as operating divisions.

Stocks and Bonds	Evaluating Advisers	Security Trading	Mutual Fund Management
Portfolio Analysis	Estate Management	Field Inspections	Mortgage Investments



REAL ESTATE AND DEVELOPMENT

Divisions and services of the real estate group.

Mortgage Financing	Commercial & Residential Real Estate	Real Estate Development	Auto & Fire Insurance
Property Management	Land Assembly	Building Construction	Appraisal Service

INVESTMENT AND ANALYSIS

In investing, like most other activities, “performance speaks for itself”. The performance obtained by Principal Savings and Trust Company’s investment team in 1968 falls into this category.

Principal Growth Fund’s net assets under its investment management grew more than 221%, and the net asset value per unit rose 32.8% making it one of the best performing growth funds in Canada. (During the year, the Dow Jones Industrial average increased 4% and the Toronto Stock Exchange index increased 16%.) Since first offering units to the public in February 1967, Principal Growth Fund unit value has increased 123% in the first 24 months.

Collective Mutual Fund Ltd., on which the investment manager adopted a “balanced” approach to investments, had a growth of assets under management of 27.1% during 1968. Net asset value per share increased 22.3% during the year.

This kind of performance was made possible through a concept of investment management which will be expanded upon in 1969. This concept, in contrast to relying on a single adviser, allocates assets amongst a group of “portfolio managers” who independently manage a portion of the Group’s and customer’s assets under the general supervision of the Investment Committee. Competitive interplay among independent Portfolio Managers tends to provide the investors with significant benefits which are not available in an investment company with only one advisor.





REAL ESTATE AND DEVELOPMENT

The Group started coming of age in the real estate development field in 1968. We had previously sold 320 acres in the City of Saskatoon to the City, and acquired commercial property in the Phoenix, Arizona area, which is one of the fastest growing electronic manufacturing areas in the United States. We disposed of a large amount of owned real estate in the Savings Certificate Companies to provide greater liquidity and to take advantage of the higher yields currently available on prime first mortgages. The remaining real estate development operations were transferred to Principal Mortgage Corporation to provide more flexibility in development and financing than was available to the other companies.

In past years, interim financing of major commercial developments in Western Canada has been an integral part of the Mortgage and Development Operation. Photos show some of these projects, such as the Calgary Place Office Tower Development and the Macleod Mall Shopping Centre also in Calgary, Alberta. In addition, financing has been handled for the Regina Inn and Centre, in Saskatchewan, and Centennial Village Shopping Mall, in Edmonton.

The current program in this area calls for further expansion in all fields of commercial development with additional projects presently under negotiation, such as the new proposed 30 storey "Principal Place" — a new home for the Principal Group, which is being developed as a joint venture with one of the major development groups in the Pacific area.

Mr. Dennis Stewart, Vice-President, Real Estate, is on leave of absence during his term as President of the 22,000 member Canadian Association of Real Estate Boards, but will be back full time later in the year.

PRINCIPAL GROUP LTD. AND ITS SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at December 31, 1968 (with 1967 figures for comparison)

ASSETS

	1968	1967
CASH AND INVESTMENTS:		
Cash.....	\$ 1,085,693	\$ 2,144,308
Marketable securities (Note 2).....	20,462,912	18,680,138
First mortgages on real estate including accrued interest receivable net of unamortized mortgage discount of \$772,995 (1967—\$947,479).....	30,024,590	30,688,692
Real estate — at cost less allowance for possible losses.....	2,326,737	2,980,411
Loans to certificate holders (not exceeding cash surrender value).....	1,016,125	855,008
Total cash and investments.....	54,916,057	55,348,557
INVESTMENT IN AND ADVANCES TO SUBSIDIARIES NOT CONSOLIDATED AND AFFILIATED COMPANIES (Note 1).....	1,007,548	915,801
ACCOUNTS RECEIVABLE AND OTHER ASSETS.....	671,090	632,478
EXCESS OF COST OF SHARES OF CONSOLIDATED SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS AT DATE OF ACQUISITION.....	5,810,267	5,810,267
Approved by the Board:		
Director B. O. ARCHIBALD		
Director G. E. KAUMEYER		
TOTAL.....	\$62,404,962	\$62,707,103

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
LIABILITIES:		
Certificate liabilities (cash surrender value 1968—\$45,754,477; 1967—\$46,189,085)	\$50,067,241	\$50,636,956
Bank loan (Note 3)	2,054,122	2,025,433
Income taxes payable (Note 4)	173,356	46,141
Due to parent company:		
Accounts payable and demand notes payable	844,036	1,075,418
Non-interest bearing note due December 1, 1971	1,248,253	1,248,253
Notes payable to affiliated companies	380,354	354,200
Other liabilities	499,359	630,775
Deferred income taxes (Note 4)	205,000	155,000
Total liabilities	<u>55,471,721</u>	<u>56,172,176</u>
 MINORITY INTEREST IN SUBSIDIARIES — including \$838,250 (1967—\$706,625) of 7% cumulative preferred shares	 859,530	 <u>726,961</u>
 SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized (Note 5)		
Issued and fully paid:		
100,000 first preferred shares	2,500,000	2,500,000
108,000 6% second preferred series 1 shares redeemable at \$26.50	2,700,000	2,700,000
1,000,000 common voting shares	500,000	500,000
Total capital stock	5,700,000	5,700,000
Retained earnings	373,711	107,966
Total shareholders' equity	6,073,711	5,807,966
TOTAL	<u>\$62,404,962</u>	<u>\$62,707,103</u>

PRINCIPAL GROUP LTD. AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Retained Earnings for the Year Ended December 31, 1968

(with 1967 figures for comparison)

	1968	1967
RETAINED EARNINGS — Unappropriated:		
Balance beginning of the year	\$ 107,966	\$ 11,281
Net income for the year	440,745	271,685
	<u>548,711</u>	<u>282,966</u>
Deduct:		
Dividends paid — first preferred shares	175,000	175,000
Appropriation to purchase fund	50,000	—
Total deductions	<u>225,000</u>	<u>175,000</u>
Balance end of year	323,711	107,966
 RETAINED EARNINGS — Appropriated to purchase fund (Note 5): Appropriation from unappropriated earnings	 50,000	 —
TOTAL RETAINED EARNINGS	<u>\$ 373,711</u>	<u>\$ 107,966</u>

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1968

(with 1967 figures for comparison)

	1968	1967
INCOME:		
Income from investments	\$3,742,499	\$3,794,138
Commissions and management services	494,896	657,203
Total income	<u>4,237,395</u>	<u>4,451,341</u>
 EXPENSE:		
Interest on certificate liabilities less gain on optional and automatic settlements	1,783,936	1,940,407
Operating expenses — less service fees	1,844,921	2,241,813
Total expense	<u>3,628,857</u>	<u>4,182,220</u>
INCOME FROM OPERATIONS	608,538	269,121
NET GAIN ON SALE OF SECURITIES	54,827	108,429
INCOME BEFORE PROVISION FOR INCOME TAXES	663,365	377,550
PROVISION FOR INCOME TAXES (Note 4)	282,866	140,802
	380,499	236,748
ADD: Earnings of unconsolidated subsidiary (Note 1)	49,849	38,477
Income tax adjustment (Note 4)	60,000	—
	<u>490,348</u>	<u>275,225</u>
DEDUCT: Minority interest in income of subsidiaries:		
Preferred shares	46,605	—
Common shares	2,998	3,540
	<u>49,603</u>	<u>3,540</u>
NET INCOME FOR THE YEAR	<u>\$ 440,745</u>	<u>\$ 271,685</u>

The accompanying notes are an integral part of the financial statements.

PRINCIPAL GROUP LTD. AND ITS SUBSIDIARY COMPANIES

Notes to the Consolidated Financial Statements *December 31, 1968*

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the following subsidiary companies:

First Investors Corporation Ltd.

Associated Investors of Canada Ltd.

Athabasca Holdings Ltd. and its wholly-owned subsidiaries.

The accounts of Principal Savings and Trust Company and Collective Mutual Fund Ltd. have not been consolidated as the nature of their business is different from that of the company and its other subsidiaries.

As at December 31, 1968 the investment of \$1,007,548 consists of shares of subsidiary companies costing \$577,324, advances of \$23,885 and \$87,615 representing the company's share in accumulated net earnings of Principal Savings and Trust Company since acquisition, of which \$49,178 is attributable to the current year. Also included is the cost of shares in an affiliated company of \$318,724.

2. MARKETABLE SECURITIES

	1968	1967
Government and municipal bonds — at amortized cost (market value 1968—\$8,323,645; 1967—\$8,821,480).....	\$10,297,225	\$10,290,158
Corporation bonds, notes and other evidences of indebtedness — at amortized cost (market value 1968—\$3,851,279; 1967—\$3,863,460).....	4,117,805	4,102,467
Preferred and common stocks — at cost (market value 1968—\$5,208,645; 1967—\$3,243,969).....	5,577,830	3,973,671
Accrued interest and dividends receivable.....	470,052	313,842
Total.....	<u>\$20,462,912</u>	<u>\$18,680,138</u>

3. PLEDGED ASSETS

Government bonds valued at a cost of \$2,704,257 have been pledged as security for the bank loan. 289,200 shares of a subsidiary company have been assigned to the bank as security to a bank loan of the parent company of Principal Group Ltd.

4. INCOME TAXES

The income taxes payable in respect to the current year amount to \$172,866. The difference of \$110,000 between this and the taxes charged against income result from:

- (a) In following the recommended income tax allocation method a provision for income taxes of \$60,000 on its accounting income was recorded by a subsidiary company. This amount was not payable due to the carry forward of prior years' losses and the reduction in taxes is recorded in the statement of income as an extraordinary item.

- (b) Claiming in full all expenses and deferring income where allowable for income tax purposes in order to minimize actual income taxes payable. The deferred income taxes of \$50,000 resulting from the above in 1968 together with income taxes deferred in 1967 of \$155,000 will be applicable to those future periods when, because of the above, taxable income may be greater than the income reported in the accounts.

5. CAPITAL STOCK

The authorized share capital is summarized as follows:

- 200,000 7% cumulative first preferred shares redeemable at \$26.75.
- 200,000 cumulative redeemable second preferred shares of a par value of \$25 each issuable in series
- 1,000,000 common voting shares of no par value
- 1,000,000 common Class A non-voting shares of no par value

The following rights and conditions apply, among others, to the capital stock.

- (a) The company shall, on the first day of September in each year, commencing in the year 1968, enter on its books to the credit of a purchase fund for the first preferred shares an amount to be used for the purchase of first preferred shares which shall be equal to 2% of the aggregate par value of the first preferred shares outstanding on the thirtieth day of June in such year.
- (b) No dividends shall be declared or paid on common shares unless declared and paid firstly on the preferred shares.
- (c) Holders of the second preferred Series 1 shares have waived all rights to dividends for 1967 and 1968.

To the Shareholders of Principal Group Ltd.:

We have examined the consolidated balance sheet of Principal Group Ltd. and its subsidiary companies as at December 31, 1968 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS

Auditors.

February 13, 1969.

PRINCIPAL SAVINGS AND TRUST COMPANY Condensed Balance Sheet

	As at December 31	
	1968	1967
ASSETS:		
First Mortgages	\$ 2,259,203	\$ 1,566,091
Marketable securities	1,492,470	1,020,735
Cash and other assets	756,991	444,532
TOTAL ASSETS	\$ 4,508,664	\$ 3,031,358
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Investment certificates	\$ 3,298,098	\$ 2,077,825
Savings deposits	395,030	329,902
Accounts payable	124,734	27,678
Shareholders' equity	690,802	595,953
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 4,508,664	\$ 3,031,358
ASSETS UNDER ADMINISTRATION		
Administered trusts	\$ 8,217,379	\$ 5,218,177
Company's own and guaranteed funds	4,508,664	3,031,358
TOTAL ASSETS UNDER ADMINISTRATION	\$12,726,043	\$ 8,249,535

COLLECTIVE MUTUAL FUND LTD.

Condensed Statement of Assets, Liabilities and Shareholders' Equity

	As at November 30	
	1968	1967
ASSETS AND LIABILITIES		
ASSETS:		
Investments in securities — at market value:		
Canadian common stocks	\$ 6,655,787	\$ 6,199,928
Foreign common stocks	8,219,465	4,775,071
Canadian preferred stocks	113,975	962,265
Bonds and convertible debentures	168,000	46,000
Total investments	\$15,157,227	\$11,983,264
Other assets:		
Cash and sundry	1,352,599	1,126,304
Total assets	\$16,509,826	\$13,109,568
LIABILITIES:		
Payable to brokers	303,650	341,868
Accounts payable	26,604	35,083
Total liabilities	\$ 330,254	\$ 376,951
NET ASSETS	\$16,179,572	\$12,732,617

SHAREHOLDERS' EQUITY

AUTHORIZED SHARE CAPITAL:

1,000 ordinary shares of a par value of \$1.00 each. 20,000,000 special shares of a par value of \$1.00 each redeemable at the holder's option at net asset value per share at date of redemption.

SHARE CAPITAL ISSUED AND OUTSTANDING:

1,000 ordinary shares	\$ 1,000	\$ 1,000
1,993,539.601 special shares (1967—1,917,014.994 shares)	1,993,540	1,917,015
PREMIUM ON SHARES	9,648,209	9,241,829
RETAINED EARNINGS	1,198,838	556,183
UNREALIZED APPRECIATION OF INVESTMENTS	3,337,985	1,016,590
TOTAL SHAREHOLDERS' EQUITY	\$16,179,572	\$12,732,617
NET ASSET VALUE PER SHARE	\$8.12	\$6.64



REGION OFFICES

NEW WESTMINSTER
720 Sixth Street

VICTORIA

306 – 895 Fort Street

PRINCE GEORGE

491 Quebec Street

EDMONTON AIC

203 – 10711 – 107 Ave.

EDMONTON FIC

4 – 10128 – 103 Street

CALGARY

231 – 14 Street N.W.

LETHBRIDGE

309 – 6 Street South

SASKATOON

273 – Second Ave. S.

HALIFAX

5465 Spring Garden Road

ST. JOHN'S, NFLD.

1st Floor Williams Building

144 Water Street

TRUST OFFICES

VANCOUVER

3436 – Kingsway

EDMONTON

Financial Bldg.

CALGARY

508A – 8 Ave. S.W.

HALIFAX

5465 Spring Garden Road

